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China, Peoples Republic of

Grain and Feed

Corn and Wheat Update

2002

U.S. Embassy

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Report Highlights:

Corn crop shows considerable improvement over last year. Corn exports pick up in August and look likely to continue strong through MY 2002. Corn imports negligible and wheat imports weak because of large domestic stocks and stronger world prices.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Beijing [CH1], CH

Corn

Analysts vary as to an exact number, but this year's crop will be substantially better than last year. Most estimates fall within the 125-130 MMT range. In the Northeast precipitation has been more favorable than last year and weather through September has been good for maturing. Production in this area should be up 15 percent. In the North China Plain however, the weather has not been quite so favorable. Production in Shandong could be at or below last year's level and overall production in the region will be up only about 5 percent. Nationally, the total gain should be about 10 percent despite little increase in planted area.

Exports picked up sharply in August. It was the largest export month in at least 3 years at 1.65 MMT. Although continuing to deny any export subsidies, the price has been \$20 to \$30 per ton below the equivalent domestic price of about \$125/MT. The recent rally in world prices has pushed up prices for future sales. The most recent sales are in the range of \$110 FOB Dalian. According to traders, sales have fallen off recently as exporters are awaiting clearer Government direction. Once sales resume prices are expected to rise further to be more in line with world prices. Eventually export prices could be equal or above domestic prices.

The view in Chinese trading circles is that corn exports will continue at the current pace through MY 2002. Hopes that the exports would cease and China might even import significant quantities of corn have faded. Subsidies appear to be continuing despite China's WTO commitment, andve China's grain stocks remain very large--giving the motivation for further exports.

Many analysts, including post, had foreseen a much different situation by this time. China evading WTO commitments could not be anticipated and with rising world prices may be irrelevant soon anyway. However, the unexpected large stocks can be explained by mistakes estimating consumption. China does not publish numbers for stocks or consumption. Analysts have estimated strong growth for feed grains and modest growth for food grains over the past decade. It appears now that these estimates were far too aggressive. In particular, the growth in total consumption of rice and wheat appears in fact to have been nil, if not negative. This has led to a very large increase in wheat and rice stocks and in the amount of these grains going into feed rations.

For five years China has exported corn heavily. Corn has also seen two bad weather years, and drops in area have reduced total grain production over 50 MMT a year. Still, so low is grain consumption that stocks appear to be declining only very slowly. The consensus seems to be that total grain stocks are about one-half of total consumption at about 200MMT, only about 50 MMT off estimates two to three years ago. This indicates one or two more years at least of large corn exports and minimal corn imports.

Wheat

Latest estimates for 2002 point to at most a 90 MMT wheat crop. Reduction in planted area is the main explanation. Still, wheat stocks remain large and elevated use of wheat in feed should continue through MY2002.

Higher world prices are squeezing wheat imports. Millers appear to be able to adapt local wheat to their needs and forego to some extent imports for special needs. Improvements in domestic wheat quality seen in recent years have probably helped make local wheat more substitutable.. Trading partners also are concerned that too restrictive implementation of this year's Tariff Rate Quotas for wheat, along with differential application of the VAT are unfairly hurting imports.

PSD Table						
Country	China, Peoples Republic of					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Area Harvested	23056	23056	24000	24282	24500	24500
Beginning Stocks	102314	102314	81127	87127	63177	74735
Production	106000	106000	114000	114088	125000	125000
TOTAL Mkt. Yr. Imports	89	89	50	20	100	50
Oct-Sep Imports	89	89	50	20	100	50
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	208403	208403	195177	201235	188277	199785
TOTAL Mkt. Yr. Exports	7276	7276	8000	8500	9500	8000
Oct-Sep Exports	7276	7276	8000	8500	9500	8000
Feed Dom. Consumption	93000	89000	97000	93000	98000	96000
TOTAL Dom. Consumption	120000	114000	124000	118000	126000	120000
Ending Stocks	81127	87127	63177	74735	52777	71785
TOTAL DISTRIBUTION	208403	208403	195177	201235	188277	199785

PSD Table						
Country	China, Peoples Republic of					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Area Harvested	26650	26650	24700	24664	24500	23500
Beginning Stocks	71358	65158	56473	57370	37531	45768
Production	99640	99640	93870	93876	92000	90000
TOTAL Mkt. Yr. Imports	195	195	1300	1034	1000	1000
Jul-Jun Imports	195	195	1300	1034	1000	1000
Jul-Jun Import U.S.	65	65	0	300	0	300
TOTAL SUPPLY	171193	164993	151643	152280	130531	136768
TOTAL Mkt. Yr. Exports	623	623	1512	1512	1000	1000
Jul-Jun Exports	623	623	1512	1512	1000	1000
Feed Dom. Consumption	8000	14000	7000	12000	5000	10000
TOTAL Dom. Consumption	114097	107000	112600	105000	110000	103000
Ending Stocks	56473	57370	37531	45768	19531	32768
TOTAL DISTRIBUTION	171193	164993	151643	152280	130531	136768

CHINA'S CORN IMPORTS BY MONTH					
(Metric Tons)					
	1999	2000	2001	2002	
January	18	0	18	2,449	
February	17	43	271	378	
March	18	42	901	3,237	
April	1	14	8,938	42	
May	58	2	2,214	23	
June	20,012	63	2,301	6	
July	50,079	79	716	2	
August	0	3	7,384	55	
September	0	80	7,156		
October	0	0	312		
November	0	60	4,328		
December	41	0	1,569		
JAN-DEC MY TOTAL	70,244	386	36,108	6,192	
	(99/00)	(00/01)	(01/02)	(01/02)	
OCT-SEP MY TOTAL	367	29,959	12,401	0	1/
1/ year to date					
HS Code: 1005.1000, 1005.9000					
Source: PRC Customs					
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CHINA'S CORN EXPORTS BY MONTH					
(Metric Tons)					
	1999	2000	2001	2002	
January	119,190	210,003	607,625	229,842	
February	83,508	589,488	745,158	770,204	
March	272,908	1,219,532	938,043	1,100,590	
April	53,149	530,920	251,214	855,122	
May	171,438	350,985	469,940	271,409	
June	304,349	962,939	124,939	257,892	
July	551,192	1,557,699	505,799	1,034,190	
August	212,649	1,582,611	345,695	1,652,001	
September	346,007	740,849	547,941		
October	305,648	914,163	327,458		
November	518,836	832,127	471,515		
December	1,365,144	993,483	662,658		
JAN-DEC TOTAL	4,304,018	10,484,799	5,997,985	6,171,250	
	(99/00)	(00/01)	(01/02)	(02/03)	
OCT-SEP MY TOTAL	9,934,654	7,276,127	7,632,881	0	1/
1/ year to date					
HS Code: 1005.1000, 1005.9000					
Source: PRC Customs					
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CHINA'S WHEAT IMPORTS BY MONTH				
(1,000 Metric Tons)				
	1999	2000	2001	2002
January	11	114	19	172
February	5	54	57	27
March	27	120	28	16
April	43	173	83	156
May	9	180	7	38
June	47	54	6	57
July	56	112	31	50
August	17	43	70	17
September	34	37	18	
October	65	15	26	
November	21	30	201	
December	74	8	222	
JAN-DEC TOTAL	409	943	769	533
	(99/00)	(00/01)	(01/02)	(02/03)
JUL-JUN MY TOTAL	963	447	1,034	67
1/ year to date				1/
Source: PRC Customs				
HS Code: 1001.1000, 1001.9010, 1001.9090, 1101.0000, 1902.1100, 1902.1900, 1902.3030,				
1902.3090, and 1902.4000				
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CHINA'S WHEAT EXPORTS BY MONTH				
(1,000 Metric Tons)				
	2000	2001	2002	
January	22	23	56	
February	15	30	173	
March	31	41	71	
April	29	30	107	
May	27	22	98	
June	42	70	177	
July	34	95	101	
August	33	80	114	
September	30	134		
October	31	60		
November	33	115		
December	23	125		
JAN-DEC TOTAL	352	825	897	
	(00/01)	(01/02)	(02/03)	
JUL-JUN MY TOTAL	401	1,291	215	1/
1/ year to date				
Source: PRC Customs				
HS Code: 1001.1000, 1001.9010, 1001.9090, 1101.0000, 1902.1100,				
1902.1900, 1902.3030, 1902.3090, and 1902.4000				
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